ZOOMERMEDIA LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

For the Three and Nine Months Ended March 31, 2013 and 2012

(These financial statements have not been reviewed nor audited by an independent audit firm)

ZOOMERMEDIA LIMITED
Consolidated Statements of Financial Position
(Unaudited)

(expressed in Canadian dollars)	March 31, 2013	June 30, 2012
ASSETS		
Current assets		
Cash	$ 4,563,671	$ 5,069,754
Trade and other receivables	12,005,786	13,876,209
Prepaid expenses	484,499	523,101
	17,053,956	19,469,064
Non-current assets		
Restricted cash and investments	6,047,504	6,420,758
Property and equipment (Note 4)	22,280,233	21,585,161
Deferred tax assets	990,143	1,465,000
Intangible assets (Note 5)	40,348,200	40,534,618
Goodwill (Note 5)	2,574,758	2,574,758
TOTAL ASSETS	$ 89,294,794	$ 92,049,359
LIABILITIES		
Current liabilities		
Trade and other payables (Note 19)	$ 6,476,241	$ 7,433,607
Deferred revenue (Note 6)	2,193,721	2,142,306
Income tax liabilities	606,147	160,996
Current portion of debt (Notes 7 and 19)	2,013,731	1,895,200
Current portion of other liabilities (Note 8)	5,007,499	6,747,779
Current portion of provisions (Note 9)	546,605	619,310
	16,843,944	18,999,198
Non-current liabilities		
Deferred revenue (Note 6)	1,153,576	1,224,496
Deferred tax liabilities	1,257,841	2,242,881
Debt (Note 7)	31,910,637	33,403,709
Other liabilities (Note 8)	498,389	471,936
Provisions (Note 9)	157,038	403,540
	51,821,425	56,745,760
EQUITY		
Equity attributable to owners of the parent		
Share capital	63,463,011	63,411,344
Contributed surplus	2,132,423	2,036,255
Deficit	(28,122,065)	(30,144,000)
Total equity	37,473,369	35,303,599
TOTAL LIABILITIES AND EQUITY	$ 89,294,794	$ 92,049,359

Commitments and contingent liabilities (Note 17)

APPROVED ON BEHALF OF THE BOARD:

signed	Director	*signed*	Director
Moses Znaimer		Peter Palframan	

See accompanying notes to consolidated financial statements

ZOOMERMEDIA LIMITED

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the three and nine months ended March 31, 2013 and 2012

(Unaudited)

	Three months ended March 31		Nine months ended March 31	
	2013	**2012**	**2013**	**2012**
Revenue	$ 13,107,093	$ 12,831,597	$ 41,341,242	$ 40,847,515
Operating expenses (Note 11)	11,623,570	12,121,125	34,906,893	38,050,711
Depreciation	468,582	1,152,964	1,386,402	2,543,416
Amortization of other intangible assets	276,048	241,348	803,825	769,439
Operating income	738,893	(683,840)	4,244,122	(516,051)
Interest income	(32,454)	-	(64,972)	-
Interest expense	628,134	528,303	1,954,152	1,652,997
Net interest expense	595,680	528,303	1,889,180	1,652,997
Income (loss) before income taxes	143,213	(1,212,143)	2,354,942	(2,169,048)
Income tax (recovery) expense	(208,173)	57,950	333,007	215,010
Net income (loss) and comprehensive income (loss) for the period	351,386	(1,270,093)	2,021,935	(2,384,058)
Net income (loss) per share (basic and diluted) (Note 13)	$ 0.00	$ (0.00)	$ 0.00	$ (0.00)
Weighted average number of shares outstanding	655,434,463	655,164,092	655,236,125	655,116,857

See accompanying notes to consolidated financial statements

ZOOMERMEDIA LIMITED
Consolidated Statements of Cash Flows
For the three and nine months ended March 31, 2013 and 2012
(Unaudited)

	Three months ended March 31		Nine months ended March 31	
	2013	**2012**	**2013**	**2012**
Operating activities				
Net income (loss) for the period	$ 351,386	$ (1,270,093)	$ 2,021,935	$ (2,384,058)
Add (deduct) non-cash items:				
Depreciation	468,582	1,152,964	1,386,402	2,543,416
Amortization of program rights	2,508,641	3,001,469	7,563,222	8,650,238
Amortization of other intangibles	276,047	241,348	803,824	769,439
Amortization of deferred financing costs	17,689	-	53,066	-
Stock-based compensation	58,068	169,390	111,168	516,968
Non-cash interest expense	114,294	154,294	390,665	518,911
Deferred tax expense	(510,183)	510	(510,183)	59,210
Change in deferred revenue	(99,972)	280,535	(19,505)	16,635
Net change in non-cash working capital balances (Note 12)	2,120,066	870,794	1,079,698	1,685,152
	5,304,618	4,601,211	12,880,292	12,375,911
Purchase of program rights	(1,515,842)	(1,583,599)	(8,116,256)	(9,053,716)
Change in other liabilities related to program rights	(1,338,599)	(1,225,971)	(1,842,334)	(1,588,316)
	(2,854,441)	(2,809,570)	(9,958,590)	(10,642,032)
	2,450,177	1,791,641	2,921,702	1,733,879
Investing activities				
Decrease in restricted cash	96,077	-	285,255	-
Additions to property and equipment	(1,385,381)	(684,868)	(2,081,474)	(2,478,660)
Purchase of other intangible assets	(31,135)	-	(58,202)	(48,284)
	(1,320,439)	(684,868)	(1,854,421)	(2,526,944)
Financing activities				
Issuance of shares under stock option plan	36,667	-	36,667	22,950
Additions to capital lease obligation	-	106,813	-	106,813
Repayment of finance lease obligation	(11,934)	(15,987)	(41,288)	(38,781)
Issuance (repayment) of credit facility debt	-	(640,000)	-	3,780,000
Repayment of debt	(520,243)	(439,179)	(1,568,743)	(1,302,847)
	(495,510)	(988,353)	(1,573,364)	2,568,135
Change in cash	634,228	118,420	(506,083)	1,775,070
Cash (bank indebtedness), beginning of period	3,929,443	1,077,006	5,069,754	(579,644)
Cash, end of the period	$ 4,563,671	$ 1,195,426	$ 4,563,671	$ 1,195,426
Supplementary cash flow information:				
Interest paid	$ 482,971	$ 374,009	$ 1,561,927	$ 1,134,086
Income taxes paid	351,780	-	666,609	-

See accompanying notes to consolidated financial statements

ZOOMERMEDIA LIMITED

Consolidated Statements of Changes in Equity

For the nine months ended March 31, 2013 and 2012

(Unaudited)

	Common shares		Preference Shares		Contributed Surplus	Deficit	Total Shareholders' Equity
	#	$	#	$	$	$	$
Balance - July 1, 2011	267,055,463	24,591,301	387,879,129	38,787,913	1,380,472	(29,145,545)	35,614,141
Exercise of stock options	229,500	32,130	-	-	(9,180)	-	22,950
Stock-based compensation	-	-	-	-	516,968	-	516,968
Net loss and comprehensive loss	-	-	-	-	-	(2,384,058)	(2,384,058)
Balance - March 31, 2012	267,284,963	24,623,431	387,879,129	38,787,913	1,888,260	(31,529,603)	33,770,001
Balance - July 1, 2012	267,284,963	24,623,431	387,879,129	38,787,913	2,036,255	(30,144,000)	35,303,599
Exercise of stock options	333,334	51,667	-	-	(15,000)	-	36,667
Stock-based compensation	-	-	-	-	111,168	-	111,168
Net income and comprehensive income	-	-	-	-	-	2,021,935	2,021,935
							-
Balance - March 31, 2013	267,618,297	24,675,098	387,879,129	38,787,913	2,132,423	(28,122,065)	37,473,369

See accompanying notes to consolidated financial statements

1. NATURE OF OPERATIONS

ZoomerMedia Limited (the "**Company**" or "**ZoomerMedia**") is a multimedia company that serves the 45plus "Zoomer" demographic through television, radio, magazine, internet, conferences and trade shows. ZoomerMedia's television properties include; Vision TV, Canada's only multi-faith specialty television service; ONE: the Body, Mind, Spirit and Love Channel, offering programs on exercise, meditation, yoga, natural health and living a planet-friendly lifestyle; Joytv 10 in Vancouver and Joytv 11 in Winnipeg, two conventional television stations, available over the air and on cable in their respective markets. ZoomerMedia's radio properties include CFMZ-FM Toronto – The New Classical 96.3FM, CFMX-FM Cobourg – The New Classical 103.1FM, and CFZM-AM 740 Toronto – The New AM740 Zoomer Radio. ZoomerMedia also publishes Zoomer Magazine. ZoomerMedia is Canada's provider of online content targeting the 45plus age group through many properties, the key one being www.EverythingZoomer.com. ZoomerMedia also has a trade show and conference division that produces the ZoomerShows, annual consumer shows directed to the Zoomer demographic and ideaCity, an annual Canadian conference also known as 'Canada's Premiere Meeting of the Minds'.

The Company is incorporated and domiciled in Canada and its registered office is located at 70 Jefferson Avenue, Toronto, Ontario, M6K 1Y4. The Company's shares are publicly traded on the TSX Venture Exchange under the symbol "ZUM".

2. BASIS OF PREPARATION

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles **("GAAP")** as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants (**"CICA Handbook"**). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (**"IFRS"**), and to require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011.

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard (**"IAS"**) 34, *Interim Financial Reporting*. The disclosures contained in these interim consolidated financial statements do not contain all requirements of Canadian GAAP for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2012.

These interim condensed consolidated financial statements follow the same accounting policies and methods of application as the audited consolidated financial statements for the year ended June 30, 2012. The Board of Directors approved these interim condensed consolidated financial statements on May 28, 2013.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Standards Issued But Not Yet Applied

The IASB has issued the following standards, which have not yet been adopted by the Company. The Company has not yet begun the process of assessing the impact these new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

IFRS 9, Financial Instruments

IFRS 9, *Financial Instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in *IAS 39, Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

IFRS 10, Consolidated Financial Statements

IFRS 10, *Consolidated Financial Statements,* requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces *SIC-12, Consolidation—Special Purpose Entities* and parts of *IAS 27, Consolidated and Separate Financial Statements*. IFRS 10 is effective for annual periods beginning on or after January 1, 2013.

IFRS 11, Joint Arrangements

IFRS 11, *Joint Arrangements*, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers.* IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12, *Disclosure of Interests in Other Entities*, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

IFRS 13, Fair Value Measurement

IFRS 13, *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

Amendments to standards

IFRS 7, *Financial Instruments: Disclosures,* has been amended to enhance disclosure requirements related to offsetting of financial assets and financial liabilities. The amendment is effective for annual periods beginning on or after January 1, 2013.

IAS 32, *Financial Instruments: Presentation,* has been amended to clarify requirements for offsetting of financial assets and financial liabilities. The amendment is effective for annual periods beginning on or after January 1, 2014.

(b) Significant Accounting Judgements and Estimation Uncertainties

Critical accounting judgements and estimates

The preparation of financial statements under IFRS requires management to use judgement in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgements are continuously evaluated and are based on management's historical experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates.

The key judgements, estimates and assumptions made in applying accounting policies which have the most significant risk of causing a material adjustment to the carrying amount of assets and liabilities are; the determination of Cash Generating Units (CGUs); the values associated with indefinite life intangible assets and goodwill; estimated period of use of program rights; the estimated useful lives of non-financial assets with definite useful lives; and income tax liabilities including the assessment of temporary differences.

4. PROPERTY AND EQUIPMENT

	Land & building	Broadcast equipment	Equipment and vehicles	Computer hardware	Leasehold improvements	Total
At June 30, 2012						
Cost	18,928,334	4,837,404	746,388	1,074,610	2,252,296	27,839,032
Accumulated depreciation	(701,922)	(2,381,944)	(341,461)	(726,813)	(2,101,731)	(6,253,871)
Net book value	$ 18,226,412	$ 2,455,460	$ 404,927	$ 347,797	$ 150,565	$ 21,585,161
Nine months ended March 31, 2013						
Opening net book value	$ 18,226,412	$ 2,455,460	$ 404,927	$ 347,797	$ 150,565	$ 21,585,161
Additions	1,320,927	576,241	88,731	95,575	-	2,081,474
Depreciation for the period	(280,059)	(760,494)	(107,868)	(125,048)	(112,933)	(1,386,402)
Closing net book value	$ 19,267,280	$ 2,271,207	$ 385,790	$ 318,324	$ 37,632	$ 22,280,233
At March 31, 2013						
Cost	$ 20,249,261	$ 5,413,645	$ 835,119	$ 1,170,185	$ 2,252,296	$ 29,920,506
Accumulated depreciation	(981,981)	(3,142,438)	(449,329)	(851,861)	(2,214,664)	(7,640,273)
Net book value	$ 19,267,280	$ 2,271,207	$ 385,790	$ 318,324	$ 37,632	$ 22,280,233

5. INTANGIBLE ASSETS AND GOODWILL

Details of intangible assets and goodwill are as follows:

	Broadcast licenses	Program rights	Royalty stream rights	Brand names	Computer software	Domain names	Total intangible assets	Goodwill
At June 30, 2012								
Cost	22,620,517	40,818,535	12,650,072	790,000	600,290	141,235	77,620,649	8,537,899
Accumulated amortization	-	(29,969,222)	(3,795,017)	(158,000)	(251,176)	(21,260)	(34,194,675)	-
Accumulated impairment	(2,561,530)	-	-	-	(226,633)	(103,193)	(2,891,356)	(5,963,141)
Net book value	$ 20,058,987	$ 10,849,313	$ 8,855,055	$ 632,000	$ 122,481	$ 16,782	$ 40,534,618	$ 2,574,758
Nine months ended March 31, 2013								
Opening net book value	$ 20,058,987	$ 10,849,313	$ 8,855,055	$ 632,000	$ 122,481	$ 16,782	$ 40,534,618	$ 2,574,758
Additions	-	8,122,426	-	-	58,202	-	8,180,628	-
Amortization for the period	-	(7,563,222)	(632,502)	(72,750)	(94,028)	(4,544)	(8,367,046)	-
Closing net book value	$ 20,058,987	$ 11,408,517	$ 8,222,553	$ 559,250	$ 86,655	$ 12,238	$ 40,348,200	$ 2,574,758
At March 31, 2013								
Cost	$ 22,620,517	$ 48,940,961	$ 12,650,072	$ 790,000	$ 658,492	$ 141,235	$ 85,801,277	$ 8,537,899
Accumulated amortization	-	(37,532,444)	(4,427,519)	(230,750)	(345,204)	(25,804)	(42,561,721)	-
Accumulated impairment	(2,561,530)	-	-	-	(226,633)	(103,193)	(2,891,356)	(5,963,141)
Net book value	$ 20,058,987	$ 11,408,517	$ 8,222,553	$ 559,250	$ 86,655	$ 12,238	$ 40,348,200	$ 2,574,758

The net carrying amount of indefinite life intangibles and goodwill has been allocated to the following CGUs:

	March 31, 2013	June 30, 2012
Television:		
Broadcast licenses	$ 7,864,000	$ 7,864,000
Goodwill	2,574,758	2,574,758
	10,438,758	10,438,758
Radio:		
Broadcast licenses	12,194,987	12,194,987
Goodwill	-	-
	12,194,987	12,194,987
Total		
Broadcast licenses	20,058,987	20,058,987
Goodwill	2,574,758	2,574,758
	$ 22,633,745	$ 22,633,745

6. DEFERRED REVENUE

	March 31, 2013	June 30, 2012
Magazine subscriptions revenue	$ 2,045,505	$ 1,877,745
Royalty revenue (i)	674,603	763,889
Canada periodical fund (ii)	-	493,437
Show and conference	264,468	127,079
Advertising revenue	362,721	104,652
	$ 3,347,297	$ 3,366,802
Less: Current portion	(2,193,721)	(2,142,306)
	$ 1,153,576	$ 1,224,496

(i) Pursuant to an affinity agreement entered into with MBNA Canada Bank ("**MBNA**"), effective December 1, 2008, the Company received $1,250,000 from MBNA as an advance against future royalties ("**Advanced Amount**") to be earned over the ten-year period ending November 30, 2018. All royalties accrued in each contract year shall be applied against the Advanced Amount to a maximum of $125,000. Any royalties accrued in a contract year in excess of $125,000 will be payable to the Company. The Company is guaranteed to earn royalties equal to the Advanced Amount by the end of the ten-year contract term. If the agreement is terminated for whatever reason, other than material breach by MBNA, the unearned balance would be repayable.

(ii) On April 1, 2010, the department of Canadian Heritage of the Government of Canada replaced both the Canada Magazine Fund and the Periodical Assistance Program for Canadian magazines with the Canada Periodical Fund. At March 31, 2013, the Company had $nil deferred revenue (June 30, 2012 - $493,437) related to grants received from the Canada Periodical Fund.

7. DEBT

	March 31, 2013	June 30, 2012
Note payable - Megadak Enterprises (i)	$ 2,160,732	$ 2,428,308
Note payable - Vision charity (ii)	8,694,687	9,367,901
Mortgage - First National Financial (iii)	5,603,744	5,712,024
Note payable - Davpart (iii)	3,629,413	3,722,761
Term loan - Royal Bank of Canada (iv)	6,873,046	7,000,000
Mortgage - Royal Bank of Canada (v)	6,873,272	6,937,152
Finance lease obligation	89,474	130,762
	$ 33,924,368	$ 35,298,909
Less: Current portion	(2,013,731)	(1,895,200)
	$ 31,910,637	$ 33,403,709

(i) The Company acquired certain marketing rights related to CARP and royalty revenues from Megadak Enterprises ("**Megadak**"). In exchange the Company agreed to pay Megadak $50,000 per month for 115 months. The loan is unsecured and non-interest bearing. The fair value of the loan was determined using a discount rate of 11% and the Company recorded non-cash interest expense of $58,356 and $182,424 during the three and nine months ended March 31, 2013, respectively (three and nine months ended March 31, 2012 – $67,861 and $210,176, respectively). The note matures on July 1, 2017.

(ii) As part of the acquisition of the television properties, the Company agreed to pay $11 million to the former owners by way of a promissory note payable, secured by a general security agreement covering the assets of the Company excluding the property located at 64 Jefferson Avenue, over 10 years at an interest rate of 7% per annum in blended monthly payments. The note matures on June 30, 2020.

(iii) As part of the acquisition of the property at 64 Jefferson Avenue the Company assumed a mortgage held by First National Financial LP ("**First National**"). On June 27, 2012, First National's security interest on the 64 Jefferson Avenue property was discharged and as a substitute, the Company pledged its interest in the restricted cash and investments to First National as security for its mortgage. The remaining principal, net of deferred financing costs, of $5,603,744 (June 30, 2012 – $5,712,024) is payable over 17 years at an interest rate of 6.47%. The current 5-year term ends June 1, 2014. Transaction costs of $99,610 have been netted against the carrying amount of the loan and will be amortized over the remaining term.

The Company also assumed an unsecured promissory note payable to Davpart Inc., a former owner of the property, with remaining principal of $3,629,413 at March 31, 2013 (June 30, 2012 – $3,722,761) payable over 17 years at an interest rate of 7%. The current 5-year term ends June 1, 2014.

(iv) On June 27, 2012, the Company entered into an amended and restated credit agreement with the Royal Bank of Canada. The amended credit facility consists of a $3 million revolving line of credit and a $7 million term loan, payable over 25 years and is secured by a general security agreement covering all of the assets of the Company.

Advances under the revolving line of credit bear interest at a variable rate of prime plus 2.0%. At March 31, 2013, $589,321 in letters of credit were issued against the line of credit to guarantee certain land transfer tax obligations (June 30, 2012 - $589,321) and $2,410,679 was available under the line of credit.

The term loan's remaining principal of $6,873,046 (June 30, 2012 – $7,000,000) is payable over 25 years at an interest rate of 6.297%. The current 3-year term ends June 27, 2015.

As at March 31, 2013, the Company was in compliance with its debt covenant.

(v) On June 27, 2012, the Company refinanced the property located at 64 Jefferson Avenue and entered into a $7,000,000 mortgage agreement with the Royal Bank of Canada. The mortgage is secured by a first mortgage on the property. The remaining principal, net of deferred financing costs, of $6,873,272 (June 30, 2012 – $6,937,152) is payable over 25 years at an interest rate of 6.297%. The current 3-year term ends June 27, 2015. Transaction costs of $62,849 have been netted against the carrying amount of the loan and will be amortized over the remaining term.

As at March 31, 2013, the Company was in compliance with its debt covenant.

8. OTHER LIABILITIES

	March 31, 2013	June 30, 2012
Program rights obligation - bulk purchase (i)	$ 741,334	$ 2,889,280
Other program rights obligations	4,266,165	3,858,499
Other	498,389	471,936
	$ 5,505,888	$ 7,219,715
Less: Current portion	(5,007,499)	(6,747,779)
	$ 498,389	$ 471,936

(i) During 2010, the Company acquired certain program rights under a bulk purchase agreement. In exchange the Company is contractually committed to pay $12 million, starting July 1, 2010, over three years for the acquired rights. For the three and nine months ended March 31, 2013, the Company made payments of $750,000 and $2,250,000, respectively (three and nine months ended March 31, 2012 – $1,000,000 and $3,000,000, respectively). The fair value of this liability was determined using a discount rate of 7% and the Company recorded non-cash interest expense of $21,489 and $102,054 during the three and nine months ended March 31, 2013, respectively (three and nine months ended March 31, 2012 - $77,765 and $280,879, respectively).

9. PROVISIONS

The analysis of provisions is as follows:

	Working capital settlement (i)	CRTC license requirements (ii)	Lease assignment (iii)	Total
At June 30, 2012	$ 260,796	$ 662,324	$ 99,730	$ 1,022,850
Additional provisions	-	47,625	-	47,625
Non-cash interest accretion	-	18,188	-	18,188
Paid during the period	-	(319,360)	(65,660)	(385,020)
At March 31, 2013	$ 260,796	$ 408,777	$ 34,070	$ 703,643
Less: Current Portion	(260,796)	(270,741)	(15,068)	(546,605)
	$ -	$ 138,036	$ 19,002	$ 157,038

(i) The Company has recognized a provision for the settlement of working capital items in connection with the acquisition of the television properties that took place in fiscal 2010.

(ii) The Company is committed to pay amounts to third parties related to the transfer of radio broadcast licenses on change of control. These were recorded as constructive obligations in the purchase accounting related to the Company's radio stations. Payments of $283,705 are due within the next twelve months.

(iii) In May 2012, the Company assigned its interest and obligations under a property lease to a third party. Under this arrangement, the Company has committed to make certain expenditures over the next 3 years.

10. SHARE CAPITAL

(a) Authorized

Unlimited preference shares that may be issued in one or more series by the Board of Directors. Preference shares are non-voting, are convertible into common shares at the option of the holder on a one for one basis at any time and have rights to dividends. As at March 31, 2013, the Company had 387,879,129 preference shares outstanding (June 30, 2012 – 387,879,129).

Unlimited number of common shares. As at March 31, 2013, the Company had 267,618,297 common shares outstanding (June 30, 2012 – 267,284,963).

(b) Stock Options

The Company has a stock option plan for the benefit of employees and directors of the Company and certain key service providers to the Company. Under the plan the Company is authorized to issue stock options up to 10% of the shares issued and outstanding at the time of the grant.

The options either vest on issuance or vest one-third upon issuance and one-third in each of the following two years, or one-third in each of the following three years.

During the three and nine months ended March 31, 2013, 9,716,017 stock options expired unexercised.

As at March 31, 2013, the Company had 12,897,059 stock options outstanding with a weighted exercise price of $0.18 per share.

(c) Issued upon Exercise of Options

During the three and nine months ended March 31, 2013, 333,334 stock options were exercised for net proceeds of $36,667 (three and nine months ended March 31, 2012 – nil and 229,500 stock options exercised for net proceeds of $nil and $22,950, respectively).

11. OPERATING EXPENSES

	Three months ended		Nine months ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Employee benefits:				
Salaries and wages	$ 3,654,039	$ 3,309,277	$ 10,707,127	$ 10,644,014
Stock based compensation	58,068	169,390	111,168	516,968
Other employee costs	1,140,607	1,334,082	2,860,190	3,484,617
	4,852,714	$ 4,812,749	$ 13,678,485	$ 14,645,599
Amortization of program rights	2,508,641	3,001,469	7,563,222	8,650,238
Distribution and transmission costs	2,493,064	2,907,684	8,203,126	8,579,243
Other operating expenses	1,769,151	1,399,223	5,462,060	6,175,631
	$ 11,623,570	$ 12,121,125	$ 34,906,893	$ 38,050,711

12. CONSOLIDATED STATEMENTS OF CASH FLOWS

The net change in non-cash working capital balances consists of the following:

	Three months ended		Nine months ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Trade and other receivables	$ 1,661,853	$ 972,710	$ 1,870,423	$ 2,127,828
Prepaid expenses	187,485	(268,582)	38,602	(158,983)
Trade and other payables	342,006	(811)	(963,536)	(42,133)
Provisions	24,464	(14,346)	(337,395)	(552,102)
Income tax liabilities	(95,742)	57,440	445,151	155,800
Deferred leasehold liability	-	86,285	-	97,372
Other liabilities	-	38,098	26,453	57,370
	$ 2,120,066	$ 870,794	$ 1,079,698	$ 1,685,152

13. BASIC AND DILUTED INCOME (LOSS) PER SHARE

The following table outlines the calculations of basic and diluted income (loss) per share:

	Three months ended		Nine months ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Numerator for basic and diluted income (loss) per share:				
Net income (loss) for the period - basic and diluted	$ 351,386	$ (1,270,093)	$ 2,021,935	$ (2,384,058)
Adjusted numerator for diluted income (loss) per share	$ 351,386	$ (1,270,093)	$ 2,021,935	$ (2,384,058)
Common shares	267,555,334	267,284,963	267,356,996	267,237,728
Preference shares	387,879,129	387,879,129	387,879,129	387,879,129
Denominator for basic income (loss) per share - weighted average	**655,434,463**	**655,164,092**	**655,236,125**	**655,116,857**
Effect of potential dilutive securities	123,358	-	-	-
Adjusted denominator for diluted income (loss) per share	**655,557,821**	**655,164,092**	**655,236,125**	**655,116,857**
Basic income (loss) per share	**$ 0.00**	**$ (0.00)**	**$ 0.00**	**$ (0.00)**
Diluted income (loss) per share	**$ 0.00**	**$ (0.00)**	**$ 0.00**	**$ (0.00)**

The dilutive effect of outstanding stock options on earnings per share is based on the application of the treasury stock method. Under this method, the proceeds for the exercise of such securities are assumed to be used to purchase common shares of the Company.

For the nine months ended March 31, 2013 and for the three and nine months ended March 31, 2012, no effect has been given to the potential exercise of stock options in the calculation of diluted net income (loss) per share as the effect would be anti-dilutive.

14. RELATED PARTY TRANSACTIONS

The Company is controlled by Olympus Management Limited (**"OML**"), which owns 64.3% of the Company's shares. The President and Chief Executive Officer of the Company controls OML and is the ultimate controlling party of the Company. Fairfax Financial Holdings Limited ("**Fairfax**") holds 26.9% of the Company's shares. The remaining 8.8% of shares are widely held.

The Company's related party transactions are summarized below. These transactions are in the normal course of operations.

(a) Transactions with a related special purpose entity

The Company publishes a magazine called ZOOMER (formerly called "CARP, the magazine") which is directed to adults 45 years of age and up and whose subscribers are primarily members of CARP. The majority shareholder of the Company, who is also the President and Chief Executive Officer and a director of the Company, is also the President of CARP. CARP is a not-for-profit organization that is focused on providing support for adults 45 years of age and up in Canada. During the nine months ended March 31, 2013, the Company paid subsidies of $1,238,005 (nine months ended March 31, 2012 –$944,102). As the Company receives royalties from affinity programs and other programs that benefit from increasing membership in CARP, the Company benefits from supporting CARP. During the nine months ended March 31, 2013, the Company received from CARP computer maintenance services fees of $23,031 (nine months ended March 31, 2012 - $29,700), management and accounting services fees of $56,997 (nine months ended March 31, 2012 - $31,500) and rent of $64,845 (nine months ended March 31, 2012 - $nil). The Company and CARP have an agreement with a third party that provides magazine subscriber and membership management services including the cash collection and processing of subscriptions and CARP memberships. Funds collected on behalf of the Company for subscriptions as well as CARP membership funds are forwarded to CARP at which point CARP forwards the subscription funds onto the Company. Included in accounts receivable is a receivable from CARP as at March 31, 2013 of $625,475 (June 30, 2012 – net receivable of $767,183). This balance is unsecured, non-interest bearing, with no fixed terms of repayment.

(b) Transactions with the parent company

During the nine months ended March 31, 2013, the Company paid management fees of $900,000 (nine months ended March 31, 2012 - $900,000) and fees for ancillary services of $269,215 (nine months ended March 31, 2012 –$83,802) to OML, the majority shareholder of the Company, for the provision of executive management services, home office costs, contractor services and talent fees. The Company charged computer maintenance service fees of $6,714 during the nine months ended March 31, 2013 (nine months ended March 31, 2012 - $4,860) to OML. At March 31, 2013, included in accounts receivable is $11,516 due from OML, and included in accounts payable and accrued liabilities is a payable to OML of $256,325 (June 30, 2012 – net payable of $426,009). These amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

(c) Transactions with entities controlled by a principal shareholder

During the nine months ended March 31, 2013, the Company received royalty revenues from Northbridge Financial Corporation (**"Northbridge"**, formerly Lombard Canada Limited), a wholly owned subsidiary of Fairfax who is a principal shareholder of the Company, of $1,452,819 (nine months ended March 31, 2012 - $1,473,868) and advertising revenues of $405,254 (nine months ended March 31, 2012 – $250,220). Included in accounts receivable at March 31, 2013 is a receivable from Northbridge of $205,443 (June 30, 2012 - $310,993).

A director of the Company is employed by a subsidiary of Fairfax.

15. CAPITAL MANAGEMENT

The Company considers its capital structure as the aggregate of shareholders' equity and long-term debt less cash and short-term deposits. The Company manages its capital structure and makes adjustments to it in order to have funds available to support the business activities which the Board of Directors intends to pursue in addition to maximizing the return to shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In order to carry out current operations and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the nine-month period ended March 31, 2013.

The Company is not subject to externally imposed capital requirements.

16. GOVERNMENT ASSISTANCE

The Company receives an annual grant from the Canada Periodical Fund administered by the Department of Canadian Heritage. This grant is recognized as a reduction of operating expenses as each issue of the magazine is published. The annual grant received for the fiscal year ended June 30, 2012 was $740,155; $164,479 and $493,437 has been netted against operating expenses during the three and nine months ended March 31, 2013, respectively (three and nine months ended March 31, 2012 - $192,628 and $577,885, respectively) and no further amount remains in deferred revenue as at March 31, 2013 (Note 6).

17. COMMITMENTS AND CONTINGENCIES

(a) The Company is committed to fixed and contingent royalty payments for certain marketing rights and royalty revenue derived from the CARP name which has a term expiring December 31, 2099. The Company also earns royalty revenues earned from other affinity partners for the use of the CARP name.

(b) Future minimum lease payments under operating leases for premises (excluding the Company's proportionate share of building operating costs) and equipment and other contractual arrangements over the next five fiscal years and thereafter in aggregate are as follows:

2013	$	551,653
2014		563,069
2015		408,728
2016		211,178
2017		33,747
Thereafter		-
	$	1,768,375

(c) At March 31, 2013, the Company has entered into various agreements for the right to broadcast certain television programs in the future. The acquisition of these broadcast rights is contingent on the actual delivery of the productions. Management estimates that these arrangements will result in future program expenditures of approximately $8 million.

(d) As part of the CRTC approval of business acquisitions involving the transfer of the ownership of television broadcast licences, the Company has committed to spend 10% of the value of the transaction, as determined by the CRTC, on activities that are intended to benefit the Canadian broadcasting system. As part of the decision relating to the acquisition of the television properties, the Company has committed to spend $3,315,557 over 7 years on programming and other activities. Approximately $253,400 of the remaining commitment must be spent by August 31, 2013.

(e) In May 2012, the Company assigned its interests under a property lease to a third party. In the event that the third party does not fulfill its obligations, the Company will be liable for the remaining payments due under the lease. The Company's continuing obligation under the lease is secured by a general security agreement covering the assets of the Company excluding the property located at 64 Jefferson Avenue and the assets of the Radio business segment. At March 31, 2013, the remaining future minimum payments due under the lease are $3,210,953. The lease expires in April 2021.

(f) The acquisition of the television properties in June 2010 required a minimum level of working capital to be delivered. Currently, the Company is in dispute with the former owners on the working capital. The Company has made a provision (refer to Note 9 (i)) representing 50% of the difference between the Company's claim and the claims of the former owner. Upon settlement, if the former owners claim is deemed to be valid, the Company will have to pay the remainder of the provision plus approximately $540,000.

18. SEGMENTED INFORMATION

Management has determined that during the year the Company operated within five reportable business segments: Television, Radio, Print, Royalty and Other operations. These business segments reflect the management structure of the Company and the way in which management reviews business performance. The Company evaluates the performance of its operating segments primarily based on segment income (loss), as presented below.

The Television segment consists of the Company's specialty and conventional television stations and generates revenues from subscriber fees, the sale of broadcast time and advertising. The Radio segment consists of the Company's three radio stations and generates revenues primarily from the sale of advertising. The Print segment publishes Zoomer Magazine and generates revenue from advertising, subscriptions and sundry sources. The Royalty segment provides exclusive membership and marketing services to CARP and earns revenue from royalties.

Other activities include the operation of a number Canadian websites and the production of ZoomerShows, and other trade and consumer shows directed to the 45plus age group. Other activities generate revenue from advertising, sponsorship, booth rentals and ticket sales.

Corporate results primarily represent the incremental cost of corporate overhead in excess of the amount allocated to the segments. During the three and nine months ended March 31, 2013, Corporate results also includes revenue earned from the rental of the Company's commercial property located in Toronto and the associated expenses.

	Three months ended March 31, 2013						
	Television	Radio	Print	Royalty	Other	Corporate	Total
Revenue	$ 9,085,399	$ 1,864,878	$ 1,041,346	$ 408,383	$ 683,480	$ 23,607	$ 13,107,093
Operating expenses	5,621,646	1,945,028	1,575,440	92,707	1,049,803	1,338,946	11,623,570
Depreciation	279,911	41,829	32,380	-	21,804	92,658	468,582
Amortization	44,358	1,448	11,511	210,834	7,625	272	276,048
	$ 5,945,915	$ 1,988,305	$ 1,619,331	$ 303,541	$ 1,079,232	$ 1,431,876	$ 12,368,200
Non-cash interest expense	21,489	5,318	-	58,356	-	29,131	114,294
Interest expense (net of interest income)	154,826	3	-	-	-	273,491	428,320
Segmented income (loss)	$ 2,963,169	$ (128,748)	$ (577,985)	$ 46,486	$ (395,752)	$ (1,710,891)	$ 196,279
Segmented assets	$ 35,940,667	$ 15,906,155	$ 2,478,375	$ 8,222,553	$ 1,787,640	$ 24,959,404	$ 89,294,794
Additions - property and equipment	36,467	352,031	-	-	-	996,883	1,385,381
Additions - program rights	1,536,600	-	-	-	-	-	1,536,600
Additions - other intangible assets	24,463	3,000	-	-	-	3,672	31,135

	Three months ended March 31, 2012						
	Television	Radio	Print	Royalty	Other	Corporate	Total
Revenue	$ 8,605,634	$ 2,083,847	$ 1,178,648	$ 444,314	$ 425,853	$ 93,301	$ 12,831,597
Operating expenses	6,162,500	1,927,759	1,526,172	161,964	732,859	1,609,871	12,121,125
Depreciation	1,007,592	41,441	41,136	-	22,901	39,894	1,152,964
Amortization	27,407	1,595	3,524	210,834	7,590	(9,602)	241,348
	$ 7,197,499	$ 1,970,795	$ 1,570,832	$ 372,798	$ 763,350	$ 1,640,163	$ 13,515,437
Non-cash interest expense	77,765	8,668	-	67,861	-	-	154,294
Interest expense	319,447	(2,229)	-	-	3,344	53,447	374,009
Segmented income (loss)	$ 1,010,923	$ 106,613	$ (392,184)	$ 3,655	$ (340,841)	$ (1,600,309)	$ (1,212,143)
Segmented assets	$ 34,438,268	$ 18,129,130	$ 2,477,522	$ 9,189,519	$ 2,028,625	$ 17,858,485	$ 84,121,549
Additions - property and equipment	98,026	6,871	69,086	-	72,435	438,468	684,886
Additions - program rights	1,583,599	-	-	-	-	-	1,583,599
Additions - other intangible assets	-	-	-	-	-	-	-

	Nine months ended March 31, 2013						
	Television	Radio	Print	Royalty	Other	Corporate	Total
Revenue	$ 27,031,461	$ 6,380,994	$ 3,573,972	$ 1,658,727	$ 2,577,889	$ 118,199	$ 41,341,242
Operating expenses	16,447,465	6,081,602	4,695,977	1,238,005	2,761,161	3,682,683	34,906,893
Depreciation	827,380	125,487	90,487	-	65,268	277,780	1,386,402
Amortization	102,212	4,343	36,918	632,502	26,629	1,221	803,825
	$ 17,377,057	$ 6,211,432	$ 4,823,382	$ 1,870,507	$ 2,853,058	$ 3,961,684	$ 37,097,120
Non-cash interest expense	102,054	18,188	-	182,424	-	87,999	390,665
Interest expense (net of interest income)	476,259	94	-	-	-	969,096	1,445,449
Segmented income (loss)	$ 9,076,091	$ 151,280	$ (1,249,410)	$ (394,204)	$ (275,169)	$ (4,900,580)	$ 2,408,008
Segmented assets	$ 35,940,667	$ 15,906,155	$ 2,478,375	$ 8,222,553	$ 1,787,640	$ 24,959,404	$ 89,294,794
Additions - property and equipment	123,375	440,031	-	-	-	1,518,068	2,081,474
Additions - program rights	8,122,426	-	-	-	-	-	8,122,426
Additions - other intangible assets	51,530	3,000	-	-	-	3,672	58,202

	Nine months ended March 31, 2012						
	Television	Radio	Print	Royalty	Other	Corporate	Total
Revenue	$ 26,130,744	$ 6,695,638	$ 3,763,014	$ 1,740,119	$ 2,330,103	$ 187,897	$ 40,847,515
Operating expenses	18,778,552	6,283,654	4,696,763	838,269	3,106,369	4,347,104	38,050,711
Depreciation	2,029,467	123,888	78,066	-	77,643	234,352	2,543,416
Amortization of other intangible assets	81,294	3,825	24,883	632,502	25,671	1,264	769,439
	$ 20,889,313	$ 6,411,367	$ 4,799,712	$ 1,470,771	$ 3,209,683	$ 4,582,720	$ 41,363,566
Non-cash interest expense	280,879	27,856	-	210,176	-	-	518,911
Interest expense	521,645	-	-	-	3,344	609,097	1,134,086
Segmented income (loss)	$ 4,438,907	$ 256,415	$ (1,036,698)	$ 59,172	$ (882,924)	$ (5,003,920)	$ (2,169,048)
Segmented assets	$ 34,438,268	$ 18,129,130	$ 2,477,522	$ 9,189,519	$ 2,028,625	$ 17,858,485	$ 84,121,549
Additions - property and equipment	618,930	7,672	147,666	-	123,733	1,580,659	2,478,660
Additions - program rights	9,053,716	-	-	-	-	-	9,053,716
Additions - other intangible assets	17,701	17,370	8,803	-	4,410	-	48,284

19. COMPARATIVE FINANCIAL INFORMATION

The current portion of debt as previously reported as at June 30, 2012 included accrued interest payable of $58,257. This amount has been reclassified to be included with trade and other payables at this date to conform to current financial statement presentation within the consolidated statement of financial position and the related notes.